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IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS

Report of the Secretary-General

I. INTRODUCTION

1. The present report updates information on the financial situation of the United Nations provided in the Secretary-General's previous report on the subject (A/50/666/Add.7), based on contributions received as at 30 September 1996 and revised projections through the end of December 1996.

II. STATUS OF CONTRIBUTIONS

2. At 30 September 1996, 91 Member States had paid their regular budget assessments in full compared with 82 by the same date in 1995 and 66 in 1994. Nonetheless, outstanding regular budget assessments at 30 September 1996 totalled $714 million, of which $398 million related to assessments for 1996 and $316 million for prior years. Of the total amount due, 74 per cent was accounted for by contributions outstanding from the Member State with the highest rate of assessment.

3. Unpaid assessed contributions from all Member States to peacekeeping operations ($1.9 billion) and international tribunals ($20.5 million) totalled just under $2 billion.

4. Thus, at the end of September, the total of unpaid assessments due from all Member States amounted to $2.7 billion. This figure reflects a reduction of some $165 million from the position at the end of August. Nevertheless, it remains far too high for the financial health and viability of the Organization.

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III. CURRENT CASH POSITION

5. The cash position of the combined General Fund (the regular budget, the Working Capital Fund and the Special Account) has grown from $18 million at the end of June to $84 million at 31 August 1996. At the end of September, this negative position had grown further to $119 million. This cash deficit has accumulated despite a heartening effort by many Member States to meet their obligations to the United Nations, often in the face of serious economic problems.

IV. GENERAL FUND CASH FLOW PROJECTIONS

6. The cash position of the combined General Fund is still anticipated to remain negative through the end of 1996. It is, however, now projected that the Organization would end the year with a minus $103 million balance, down from the previous forecast of minus $243 million. This reduction of $140 million in the projected cash deficit of the combined General Fund reflects an estimated payment of $213 million in the final quarter of 1996 by the United States of America, an increase of $100 million compared with earlier estimates. It also reflects an amount of $40 million from the United States, which was received in September. This amount was subject to certification by the Government of the United States of America and, owing to uncertainties about its disbursement, had not been included in earlier estimates.

V. PEACEKEEPING CASH FLOW PROJECTIONS

7. As indicated in earlier reports, it must be emphasized that cash flow forecasts for peacekeeping operations are much more difficult to make than those for the regular budget. The timing and amount of peacekeeping assessments and the resultant effect on the predictability of receipts are much more volatile than is the case with the regular budget.

8. In the previous update, it was estimated that combined peacekeeping cash at 31 December 1996 would total $866 million. It is now projected to be $795 million, a reduction of $71 million.

9. This reduction in estimated peacekeeping cash at 31 December 1996 is due to information received on the timing of payments from the United States. Of the total estimated payments of $266 million in the period between September and December 1996, it is not understood that an amount of $71 million will, instead, be received in 1997.

10. The Secretary-General has been advised that the United States expects to pay $282 million for current peacekeeping assessments during its fiscal year beginning on 1 October 1996, and that an additional $20 million has been earmarked for contingencies related to crises in Africa, particularly Burundi. In addition, the Secretariat has been advised that $50 million is available for peacekeeping arrears subject to certain requirements of national legislation.

11. Apart from this new information regarding peacekeeping assessments, no significant changes have been made in other forecast assumptions concerning either the amounts to be paid or which Member States would be making payment. As a result, it is still the Secretary-General's intention to make payments in 1996 totalling $350 million to troop providers. An amount of $279 million has already been paid. In addition, it is also his intention to make a special year-end payment to troop providers of $275 million - contingent on receipt by year-end of the full amount of $400 million expected from the Russian Federation in 1996. The Russian Federation has to date paid $210 million. Additional payments may also be possible to equipment providers.

12. These payments would reduce to an estimated $700 million the amount owed to Member States at the end of 1996 for troop and equipment costs. The Secretary-General remains committed to reducing this amount as much and as quickly as is prudently possible.

VI. CONCLUSION

13. Based on the assumptions included in the current projections, it is now forecast that the combined General Fund will show a cash deficit of $103 million at the end of 1996 and that combined peacekeeping accounts will have a positive balance of $795 million. The combined cash position of the Organization would thus be $692 million. The overall improvement of $69 million reflects an acceleration of cash inflows compared to the prior forecast for regular budget purposes of $140 million and a slowdown of peacekeeping cash inflows of $71 million.

14. Despite the relatively healthier outlook for the regular budget, the Organization is still obliged to resort to borrowing from peacekeeping accounts to maintain its basic operations. The projected level of this borrowing at 31 December is still such as to make it probable that the practice will have to continue to some degree in 1997. Not only is this inherently poor financial practice but the level of peacekeeping balances is quite likely to decline in the immediate future, depending on the level of new assessments to be approved by the General Assembly. There is also a clear danger that the ongoing financial crisis will continue to divert attention from, and impact negatively on, efforts for internal reform and renewal of the Secretariat.

15. The relative improvement now foreseen is welcome but it should be stressed once again that the overall financial situation of the Organization remains precarious. The amount of unpaid assessments at 31 December 1996 will still be far in excess of any reasonable amount for prudent financial management. It is now estimated that Member States will, on 31 December 1996, owe past due assessments of $2.1 billion to the United Nations and about 65 per cent of this amount will be owed by the United States.

16. The Secretary-General appreciates the efforts of Member States to reduce the amounts owed to the United Nations. He continues to appeal to all Member States to emulate the growing number that have made such efforts to meet fully the obligations to the United Nations that they themselves have undertaken.